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INTERSTATE COMMERCE COMMISSION

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March 31, 1986

Interstate Commerce Commission

Room 2303

12th Street & Constitution Avenue, N.W.

Washington, D.C. 20423

Attention: Ms. Mildred Lee

Ladies and Gentlemen:

6-088A028
MAR 31 1986
Date

Fee \$ 10.00

ICC Washington, D. C.

Enclosed for filing with the Commission pursuant to Section 11303 of Title 49 of the U.S. Code are two executed and notarized copies of the document described below.

This document is a Security Agreement, a primary document dated as of March 26, 1986, between MidSouth Rail Corporation, as the debtor, and The First National Bank of Boston as Agent for itself and other lenders, as the secured party, covering the debtor's rolling stock and all other properties and rights of the debtor. Descriptions of the rolling stock are attached to the Security Agreement as Schedule III.

The names and addresses of the parties to the Security Agreement are as follows. The debtor is MidSouth Rail Corporation, whose chief executive office is located at 111 East Capitol Street, Jackson, Mississippi 39201. The secured party is The First National Bank of Boston, as Agent, whose head office is located at 100 Federal Street, Boston, Massachusetts 02110.

Included in the property covered by the aforesaid Security Agreement are railroad cars, locomotives and other rolling stock intended for use related to interstate

C. J. Kasper
C. J. Kasper

BINGHAM, DANA & GOULD

Interstate Commerce Commission
March 31, 1986
Page 2

commerce, or interests therein, owned and leased by MidSouth Rail Corporation as of the date of said Security Agreement or thereafter required by it or its successors.

A short summary of the document to appear in the index is as follows:

"A Security Agreement, dated as of March 26, 1986, between MidSouth Rail Corporation, as the debtor, and The First National Bank of Boston as Agent for itself and other lenders, as the secured party, covering the debtor's rolling stock and all other properties and rights of the debtor. Descriptions of the rolling stock are attached to the Security Agreement as Schedule III."

Also enclosed is a check in the amount of \$10.00, payable to the Interstate Commerce Commission, to cover the recording fee prescribed by the Commission in its rules and regulations.

Would you please acknowledge receipt of the enclosed documents at your earliest convenience by stamping and returning to the undersigned, in the enclosed, self-addressed, stamped envelope, one of the Security Agreements, along with the duplicate copy of this letter of transmittal.

If you have any questions with respect to the enclosed documents, please call the undersigned, collect, at (617) 357-9300.

Very truly yours,



Susan W. Peters

SWP/ecd
Enclosures
6336H

14930

FILED 1425

MAR 31 1986 -10 35 AM

SECURITY AGREEMENT

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT dated as of March 26, 1986, by and among MIDSOUTH RAIL CORPORATION, a Delaware corporation having its chief executive office at 111 East Capitol Street, Jackson, Mississippi 39201 (the Company), and THE FIRST NATIONAL BANK OF BOSTON as agent (the Agent) for itself and the banks which are or may become parties to a certain Revolving Credit and Term Loan Agreement, dated as of March 26, 1986, among the Company, the Agent and such banks (such banks are individually referred to herein as a Secured Party and collectively referred to herein as the Secured Parties).

§1. GRANT OF SECURITY INTEREST, ETC. The Company hereby pledges and assigns to the Agent for the benefit of the Secured Parties and grants to the Agent for the benefit of the Secured Parties, a continuing security interest in and lien on, all properties, assets and rights of the Company of every kind and nature, wherever located, now owned or hereafter acquired or arising, and all proceeds and products thereof, including without limiting the generality of the foregoing, all goods, accounts, including all accounts receivable, contract rights, including without limitation all rights of the Company under the Purchase and Sale Agreement, Locomotive Purchase Agreement, Caboose Purchase Agreement, Wood Rack Purchase Agreement, Preferential Solicitation Agreement, Car Lease - Woodchip Hopper, Open Top Hoppers, Car Assignment Agreement, Allotment Agreement, Jackson-Trackage Rights, Jackson Interchange Agreement, Hattiesburg Interchange Agreement, Locomotive Maintenance Agreement, Agreement Divisions/Rates, TBT Agreement, and Agreement on Car Hire Charges, each dated as of November 12, 1985 by and between the Company and Illinois Central Gulf Railroad Company, all rights of the Company under any agreements with other operating railroads pursuant to which rights of passage over tracks are granted during periods of emergency and disasters, rights to the payment of money including tax refund claims, insurance proceeds and tort claims, chattel paper, documents, instruments, general intangibles, the Company's operating certificate from the Interstate Commerce Commission, securities, patents, trademarks, tradenames, copyrights, engineering drawings, service marks, books and records, furniture, fixtures, rolling stock, locomotives, cabooses, bulkhead flat cars, refrigerated boxcars, open top hopper cars, woodrack cars, covered hopper cars, woodchip hopper cars, rail, ties and capital improvements thereon, equipment, maintenance of way equipment, inventory and all

other capital assets, raw materials, work in progress, and real property and interests in and rights in, on or over real property, including railbeds, yards and maintenance areas (all such properties, assets and rights hereinafter sometimes called, collectively, the Collateral). Certain of the Company's maintenance of way equipment is more particularly described on Schedule I attached hereto.

§2. OBLIGATIONS SECURED. The Collateral hereunder constitutes and will constitute continuing security for all the obligations of the Company to the Secured Parties and any institutional lender who becomes a participant in or holder of any of the obligations comprising the Obligations (as defined below), now existing or hereafter arising, direct or indirect, absolute or contingent, due or to become due, matured or unmatured, liquidated or unliquidated, arising by contract, operation of law or otherwise, including without limitation, all obligations now existing or hereafter arising under the Revolving Credit and Term Loan Agreement, dated as of March 26, 1986, among the Company, the Agent, and the Secured Parties (the Loan Agreement), under the promissory notes executed and delivered by the Company to the Secured Parties in the aggregate principal amount of \$110,000,000 in connection therewith (the Notes), and to the Secured Parties or any of them under any interest rate swap, in each case as such instrument is originally executed on the date hereof or as modified, amended, supplemented or extended, and all obligations of the Company to the Secured Parties, arising out of any extension, refinancing or refunding of any of the foregoing obligations (hereinafter collectively referred to as the Obligations).

§3. PRO RATA SECURITY, APPLICATION OF PROCEEDS OF COLLATERAL. All amounts owing with respect to the Obligations shall be secured pro rata by the Collateral without distinction as to whether some Obligations are then due and payable and other Obligations are not then due and payable. Upon any realization upon the Collateral by the Agent or any Secured Party, whether by receipt of insurance proceeds pursuant to §5(f) or upon foreclosure and sale of all or part of the Collateral pursuant to §8 or otherwise, the Company and the Secured Parties agree that the proceeds thereof shall be applied (i) first, to the payment of expenses incurred with respect to maintenance and protection of the Collateral pursuant to §5 and of expenses incurred pursuant to §12 with respect to the sale of or realization upon, any of the Collateral or the perfection, enforcement or protection of the rights of the Secured Parties

(including reasonable attorney's fees and expenses of every kind, including without limitation reasonable allocated costs of staff counsel); (ii) second, equally and ratably to all amounts of interest, expenses and fees outstanding which constitute the Obligations, according to the aggregate amounts thereof owing to each Secured Party, on the date on which the Agent receives a request from the Majority Banks (as defined in the Loan Agreement) to commence action under §8 hereof to enforce the security interests granted hereunder (the "Notice Date") and (iii) third, equally and ratably to all amounts of principal outstanding under the Obligations according to the aggregate amounts thereof owing to each Secured Party on the Notice Date. Proceeds applied to the payment of the Obligations shall be applied first to interest, expenses and fees due with respect to the Obligations and then to the principal amounts of the Obligations. The Company and the Secured Parties agree that all amounts received with respect to any of the Obligations subsequent to the Notice Date, whether by realization on the Collateral or otherwise, shall be applied to the payment of the Obligations in accordance with the provisions of this §3.

§4. PRO RATA SHARING OF PAYMENTS IN CERTAIN EVENTS. The Company and the Secured Parties agree that upon the occurrence and continuance of a default by the Company in payment of any of the Obligations, whether or not the Obligations shall have been accelerated as a consequence thereof, the Secured Party which has failed to receive the payment due (the "Defaulted Party") may, by notice in writing to the other Secured Parties (a "Sharing Notice"), declare that a "Sharing Event" has occurred. The Company and the Secured Parties agree that any payments received by any Secured Party from the Company or from any other source whatsoever, on or after the date any Sharing Notice is received, shall be shared by the Secured Parties on a pro rata basis based on the total amount of Obligations outstanding on the date such Sharing Notice is given; provided, however, that if such payment default is cured prior to acceleration of the Company's Obligations to the Defaulted Party, the provisions of this §4 shall cease to be effective and any payments received by a Secured Party thereafter may be applied to the Obligations in accordance with the terms thereof. Each Secured Party agrees with the other Secured Parties that if during the continuance of any Sharing Event, such Secured Party shall receive from the Company or from any other source whatsoever, any amount which is in excess of its pro rata share of the payments received by all of the Secured Parties, then such Secured Party will make such disposition and arrangements with the

other Secured Parties with respect to such excess, either by way of distribution until the amount of such excess has been exhausted, assignment of claims, subrogation, purchase of participation or otherwise, as shall result in each Secured Party receiving in respect of its Obligations its ratable share of all such payments; provided, however, that if all or any part of such excess payment is thereafter recovered from such Secured Party, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

§5. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

(a) Real Property. The Company represents to the Secured Parties that the real property listed on Schedule II hereto constitutes all of the real property which the Company owns or leases. The Company agrees to notify the Agent of any other real property which the Company may hereafter acquire or lease. The Company agrees that it will execute and deliver to the Agent for the benefit of the Secured Parties mortgages and other instruments, as referred to in paragraph (h) below of this §5, and file the same in the appropriate recording offices with respect to the real property listed on Schedule II hereto and at such times as any mortgagable right, title or interest is acquired in the future by the Company in any other real property. All such mortgages and other instruments shall secure all of the Obligations pro rata and shall be on terms and conditions satisfactory to the Agent as evidenced by its written consent thereto.

(b) Rolling Stock. The Company represents to the Secured Parties that the Rolling Stock (as defined in this §5(b)) listed on Schedule III hereto constitutes all of the Rolling Stock which the Company owns or leases. The Company agrees not to change any markings or serial numbers on any of the Rolling Stock listed on Schedule III until after the Company has given notice in writing to the Agent of its intention to make such change. The Company agrees to notify the Agent of any other Rolling Stock which the Company may hereafter acquire or lease. The Company agrees that it will execute and deliver to the Agent for the benefit of the Secured Parties supplemental security agreements and

other instruments, as referred to in paragraph (h) below of this §5, and file the same in the appropriate recording offices (i) with respect to the Rolling Stock listed on Schedule III hereto, (ii) at such times as any assignable right, title or interest is acquired in the future by the Company in any other Rolling Stock and (iii) at such times as any change is made in one or more of the markings or serial numbers on any of the Rolling Stock listed on Schedule III hereto or on any other Rolling Stock owned or leased by the Company. All such supplemental security agreements and other instruments shall secure all of the Obligations pro rata and shall be on terms and conditions satisfactory to the Agent as evidenced by its written consent thereto. The term "Rolling Stock" as used herein means all rolling stock, locomotives, cabooses, bulkhead flat cars, refrigerated boxcars, open top hopper cars, woodrack cars, covered hopper cars, woodchip hopper cars, and all other rail cars.

(c) Location of Chief Executive Office, etc. The Company represents to the Secured Parties that the location of the Company's chief executive office and the location where the books and records of the Company are kept is 111 East Capitol Street, Jackson, Mississippi 39201. The Company further represents that attached hereto as Schedule IV is a true and correct list of all localities where property comprising a part of the Collateral (other than interests in real property set forth in Schedule II) is located. The Company agrees that it will not change the location of its chief executive office or the location where its books and records are kept without the express written consent of the Agent and will advise the Agent as to any change in the location of any property comprising a part of the Collateral.

(d) Ownership of Collateral

(i) The Company represents that it is the owner of the Collateral free from any adverse lien, security interest or encumbrance, except as permitted by §9.2 of the Loan Agreement.

(ii) Except for the security interests herein granted and except as permitted in §9.2 of the Loan Agreement as originally executed, the Company shall be the owner of the Collateral free of any lien, security

interest or encumbrance and the Company shall defend the same against all claims and demands of all persons at any time claiming the same or any interest therein adverse to the Secured Parties. Except as otherwise permitted in §9.2 of the Loan Agreement, the Company shall not pledge, mortgage or create or suffer to exist a security interest in the Collateral in favor of any person other than the Secured Parties.

(e) Sale or Disposition of Collateral. Except as permitted by §9.3 of the Loan Agreement as originally executed, the Company will not sell or offer to sell or otherwise transfer the Collateral or any interest therein except for sales of inventory in the ordinary course of business.

(f) Insurance. The Company shall have and maintain at all times with respect to the Collateral such insurance as is required by the Loan Agreement, such insurance to be payable to the Agent for the benefit of the Secured Parties and to the Company as their interests may appear. All policies of insurance shall provide for ten (10) days' written minimum cancellation notice to the Agent. In the event of failure to provide and maintain insurance as herein provided, the Agent may, at its option, provide such insurance, and the Company hereby promises to pay to the Agent on demand the amount of any disbursements made by the Agent for such purpose. The Company shall furnish to the Agent certificates or other evidence satisfactory to the Agent of compliance with the foregoing insurance provisions. The Agent may act as attorney for the Company in obtaining, adjusting, settling and cancelling such insurance and endorsing any drafts; and any amounts collected or received under any such policies shall be applied by the Agent to the Obligations in accordance with the provisions of §3, or at the option of the Agent, the same may be released to the Company, but such application or release shall not cure or waive any default hereunder and no amount so released shall be deemed a payment on any Obligation secured hereby.

(g) Maintenance of Collateral. The Company will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Agent may inspect the Collateral at any reasonable time, wherever located.

Except as otherwise provided in §8.2 of the Loan Agreement, the Company will pay promptly when due all taxes and assessments upon the Collateral or for its use or operation or upon this agreement. In its discretion, the Agent may discharge taxes and other encumbrances at any time levied or placed on the Collateral which remain unpaid in violation of §9.2 of the Loan Agreement as originally executed, make repairs thereof and pay any necessary filing fees. The Company agrees to reimburse the Agent on demand for any and all expenditures so made, and until paid the amount thereof shall be a debt secured by the Collateral. The Agent shall have no obligation to the Company to make any such expenditures, nor shall the making thereof relieve the Company of any default.

(h) Further Assurances By the Company. The Company agrees to execute and deliver to the Agent for the benefit of the Secured Parties from time to time at its request all documents and instruments, including financing statements, supplemental security agreements, notices of assignments under the United States Assignment of Claims Act and under similar or local statutes and regulations, and to take all action as the Agent may reasonably deem necessary or proper to perfect or otherwise protect the security interest and lien created hereby.

§6. POWER OF ATTORNEY. The Company acknowledges the Agent's right, to the extent permitted by applicable law, singly to execute and file financing statements without execution by the Company.

§7. SECURITIES AS COLLATERAL. The Agent may at any time, at its option, transfer to itself or any nominee any securities constituting Collateral, receive any income thereon and hold such income as additional Collateral or apply it to the Obligations. Whether or not the Obligations are due, the Agent may demand, sue for, collect, or make any settlement or compromise it deems desirable with respect to the Collateral. Regardless of the adequacy of the Collateral or any other security for the Obligations, any deposits or other sums credited by or due from the Agent to the Company may at any time be applied to or set off against any of the Obligations. The Agent and all present and future holders of and participants in the Obligations hereby agree that the amount of any such set off shall be applied as provided in Sections 3 and 4 hereof.

§8. REMEDIES. Upon the occurrence of any Default or Event of Default as defined in the Loan Agreement (whether or not any acceleration of the maturity of the amounts due in respect of any of the Obligations shall have occurred), to the fullest extent permitted by applicable law:

(a) The Agent shall have, in addition to all other rights and remedies given it by any instrument or other agreement evidencing, or executed and delivered in connection with, any of the Obligations and otherwise allowed by law, the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Collateral may be located, the rights and remedies of a secured party under the laws of the State of Louisiana with respect to chattel mortgages and assignment of accounts receivable and other intangible property and rights, and the rights and remedies of a secured party holding a security interest in collateral pursuant to the Interstate Commerce Act of 1887, as amended, and without limiting the generality of the foregoing, the Agent shall, upon the written instruction of the Majority Banks, immediately, without (to the fullest extent permitted by law) demand of performance or advertisement or notice of intention to sell or of time or place of sale or of redemption or other notice or demand whatsoever, (except that the Agent shall give to the Secured Parties and the Company at least five days' notice of the time and place of any proposed sale or other disposition), all of which are hereby expressly waived to the fullest extent permitted by law, sell at public or private sale or otherwise realize upon, in the City of Boston, Massachusetts, or elsewhere, the whole or from time to time any part of the Collateral in or upon which the Agent shall have a security interest or lien hereunder, or any interest which the Company may have therein, and after deducting from the proceeds of sale or other disposition of the Collateral all expenses (including all reasonable expenses for legal services, including without limitation reasonable allocated costs of staff counsel) as provided in §13, shall apply the residue of such proceeds toward the payment of the Obligations in accordance with §3 of this Security Agreement, the Company remaining liable for any deficiency remaining unpaid after such application. If notice of any sale or other disposition is required by law to be given to the Company or any Secured Party, each of the Company and

the Secured Parties hereby agrees that a notice given as hereinbefore provided shall be reasonable notice of such sale or other disposition. The Company also agrees to assemble the Collateral at such place or places as the Agent reasonably designates by written notice. At any such sale or other disposition any Secured Party may itself, and any other person or entity owed any Obligation may itself, purchase the whole or any part of the Collateral sold, free from any right of redemption on the part of the Company, which right is hereby waived and released to the fullest extent permitted by law. The Secured Parties agree with each other that so long as any Obligation remains outstanding, none of the Secured Parties nor any other holder of any of the Obligations or the Company's Subordinated Notes shall have any right to bid for the Collateral being sold at any sale pursuant to this §8(a) with any part of the Obligations or the Subordinated Notes, as applicable, and the Agent and the Company shall have no obligation to accept any such bid.

(b) Furthermore, without limiting the generality of any of the rights and remedies conferred upon the Agent under §8(a) hereof, the Agent to the fullest extent permitted by law, shall upon the written instruction of the Majority Banks enter upon the premises of the Company, exclude the Company therefrom and take immediate possession of the Collateral, either personally or by means of a receiver appointed by a court therefor, using all necessary force to do so, and may, at its option, use, operate, manage and control the Collateral in any lawful manner and may collect and receive all rents, income, revenue, earnings, issues and profits therefrom, and may maintain, repair, renovate, alter or remove the Collateral as the Agent may determine in its discretion, and any such monies so collected or received by the Agent shall be applied to, or may be accumulated for application upon, the Obligations in accordance with §3 of this Agreement.

The Agent agrees that it will give notice to the Company and the Secured Parties of any enforcement action taken by it pursuant to this Section 8 promptly after commencing such action.

§9. SECURED PARTIES; OTHER COLLATERAL. The Secured Parties agree that all of the provisions of this Agreement, to the extent that they relate to the relative rights, duties and privileges of the Secured Parties and the Agent,

including without limitation the provisions of §§3, 8 and 14 hereof, shall apply to any and all properties, assets and rights of the Company in which the Agent, at any time acquires, pursuant to the Security Documents, as defined in the Loan Agreement (the "Security Documents"), a security interest or lien, including without limitation, real property or rights in, on or over real property, notwithstanding any provision to the contrary in any mortgage, leasehold mortgage or other document, including without limitation, the Mortgages (as defined in the Loan Agreement), purporting to grant or perfect any lien in favor of the Secured Parties or any of them or the Agent for the benefit of the Secured Parties. The Secured Parties further agree that all of the provisions of this Agreement, to the extent that they relate to the relative rights, duties and privileges of the Secured Parties and the Agent, shall apply to any and all properties, assets and rights pledged by MidSouth Rail Holding Company to the Agent pursuant to the Pledge Agreement, dated as of March 26, 1986 by and among MidSouth Rail Holding Company, the Secured Parties and the Agent, as Pledgee, and any and all such properties, assets and rights shall be deemed to be "Collateral" for all purposes of this Agreement.

§10. MARSHALLING. The Agent shall not be required to marshal any present or future security for (including but not limited to this Agreement and the Collateral subject to the security interest created hereby), or guaranties of, the Obligations or any of them, or to resort to such security or guaranties in any particular order; and all of its rights hereunder and in respect of such securities and guaranties shall be cumulative and in addition to all other rights, however existing or arising. To the extent that it lawfully may, the Company hereby agrees that it will not invoke any law relating to the marshalling of collateral which might cause delay in or impede the enforcement of the Agent's rights under this Agreement or under any other instrument evidencing any of the Obligations or under which any of the Obligations is outstanding or by which any of the Obligations is secured or guaranteed, and to the extent that it lawfully may the Company hereby irrevocably waives the benefits of all such laws.

§11. COMPANY'S OBLIGATIONS NOT AFFECTED. To the extent permitted by law, the obligations of the Company under this Security Agreement shall remain in full force and effect without regard to, and shall not be impaired by (a) any bankruptcy, insolvency, reorganization, arrangement,

readjustment, composition, liquidation or the like of the Company, to the extent permitted by law; (b) any exercise or nonexercise, or any waiver, by the Agent of any right, remedy, power or privilege under or in respect of any of the Obligations or any security therefor (including this Agreement); (c) any amendment to or modification of this Agreement or any instrument evidencing any of the Obligations or pursuant to which any of them were issued; (d) any amendment to or modification of any instrument or agreement (other than this Agreement) securing any of the Obligations; or (e) the taking of additional security for or any guaranty of any of the Obligations or the release or discharge or termination of any security or guaranty for any of the Obligations; and whether or not the Company shall have notice or knowledge of any of the foregoing.

§12. NO WAIVER. No failure on the part of the Agent to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Agent of any right, remedy or power hereunder preclude any other or future exercise of any other right, remedy or power. Each and every right, remedy and power hereby granted to the Agent, the Secured Parties or the future holders of any of the Obligations or allowed to any of them by law or other agreement, including, without limitation, the Loan Agreement, the Notes, or any other Security Document, shall be cumulative and not exclusive of any other, and, subject to the provisions of this Agreement, may be exercised by the Agent, the Secured Parties or the future holders of any of the Obligations from time to time.

§13. EXPENSES. The Company agrees to pay, on demand, all reasonable costs and expenses (including reasonable attorneys' fees and expenses for legal services of every kind, including without limitation reasonable allocated costs of staff counsel) of the Agent incidental to the sale of, or realization upon, any of the Collateral or in any way relating to the perfection, enforcement or protection of the rights of the Agent hereunder; and the Agent may at any time apply to the payment of all such costs and expenses all monies of the Company or other proceeds arising from its possession or disposition of all or any portion of the Collateral.

§14. AGENCY.

(a) The Agent shall not have any duties or responsibilities, except those expressly provided herein, or any fiduciary relationship with any Secured

Party, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Agent. Neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (a) liable for any action taken or omitted to be taken by it or such person under or in connection with this Agreement (except for its or such person's own gross negligence or willful misconduct) or (b) responsible in any manner to any of the Secured Parties for any recitals, statements, representations or warranties made by the Company or any officer thereof contained in this Agreement, the Loan Agreement or any other Security Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with this Agreement, the Loan Agreement or any other Security Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, the Loan Agreement, the Notes, or any other Security Document or for any failure of the Company to perform its obligations hereunder or thereunder. The Agent shall not be under any obligation to any Secured Party to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, the Loan Agreement or any other Security Document, or to inspect the properties, books and records of the Company.

(b) The Agent shall be entitled to rely, and shall be fully protected in relying, upon any affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper person or persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take action under this Agreement or any other Security Document unless it shall first receive such advice or concurrence of the Secured Parties as it deems appropriate or it shall first be indemnified to its satisfaction by the Secured Parties against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such

action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Security Document in accordance with a request of any Secured Party and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Secured Parties and all future holders of the Notes. Notwithstanding the foregoing, the Agent shall comply with any written request from the Majority Banks to commence action under §8 hereof to enforce the security interest granted hereunder; provided, that the Agent shall be justified in failing or refusing to comply with such request unless it is first indemnified to its satisfaction by the Secured Parties making the request against any and all liabilities and expenses which may be incurred by it by reason of such compliance.

(c) The Agent shall not be deemed to have knowledge or notice of the occurrence of any default under any of the Obligations unless the Agent has received notice from a Secured Party or the Company describing such default and stating that such notice is a "notice of default". In the event that the Agent receives such a notice, the Agent shall take such action as is provided in the Loan Agreement.

(d) Each Secured Party expressly acknowledges that neither the Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or affiliates has made any representations or warranties to it and that no act by the Agent hereinafter taken, including any review of the affairs of the Company, shall be deemed to constitute any representation or warranty by the Agent to any Secured Party. Each Secured Party represents to the Agent that it has, independently and without reliance upon the Agent or any other Secured Party, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and credit-worthiness of the Company and made its own decision to make loans to the Company and enter into this Agreement. Each Secured Party also represents that it will, independently and without reliance upon the Agent or any other Secured Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action

under the Loan Agreement, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and credit-worthiness of the Company. Except for notices, reports and other documents expressly required to be furnished to the Secured Parties by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Secured Party with any credit or other information concerning the business, operations, property, financial and other condition or credit-worthiness of the Company which may come into the possession of the Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

(e) The Secured Parties agree to indemnify the Agent in its capacity as such (to the extent not reimbursed by the Company and without limiting the obligation of the Company to do so), ratably according to their respective Commitment Percentages (as defined in the Loan Agreement), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Notes) be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other Security Document, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Agent under or in connection with any of the foregoing, provided that the Secured Parties shall not be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Notes and all other amounts payable under the Loan Agreement.

(f) The Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Company as though the Agent were not the Agent hereunder. With respect to Obligations held by it, the terms "Secured Party" and "Secured Parties" shall include the Agent in its individual capacity.

§15. LOUISIANA COLLATERAL. It is intended that this Security Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts. However, if and to the extent that the creation and/or perfection of the security interests in, or liens on, or pledges or assignments of the Collateral, or any part thereof, as described herein, is governed by the laws of the State of Louisiana (the "Louisiana Collateral"), then this Security Agreement shall constitute a pledge and assignment of the Louisiana Collateral to the Secured Parties as security for the Obligations up to the sum, at any one time outstanding, of \$130,000,000.00, and the Secured Parties shall have and may exercise with respect to the Louisiana Collateral any and all rights and remedies of an assignee or pledgee under Louisiana law, including, but not limited to, the right to sell, assign, transfer, and deliver the Louisiana Collateral, or any part or parts thereof, at a public or private sale, without recourse to judicial proceedings. At any such sale, the Secured Parties, or any one of them, may purchase the whole or any part of the Louisiana Collateral, which shall be free from any right of redemption on the part of the Company, which right is hereby expressly waived and released.

§16. CONSENTS, AMENDMENTS, WAIVERS, ETC. Any term of this Agreement may be amended, and the performance or observance by the Company of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a written instrument signed by the Company and the Secured Parties.

§17. GOVERNING LAW. Except as otherwise required by the laws of any jurisdiction in which any Collateral is located, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts.

§18. PARTIES IN INTEREST. All terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto including without limitation, any future holder of the Notes and any institutional lender who becomes a participant in or holder of any of the Obligations, by amendment to the Loan Agreement or otherwise, provided that the Company may not assign or transfer its rights hereunder without the prior written consent of the Agent and none of the Secured Parties may assign or transfer its rights hereunder unless the assignee confirms in writing its agreement to be bound by the provisions of this Agreement.

§19. COUNTERPARTS. This Agreement and any amendment hereof may be executed in several counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement it shall not be necessary to produce or account for more than one such counterpart signed by the party against whom enforcement is sought.

§20. TERMINATION. Upon payment in full of the Obligations in accordance with their terms, this Agreement shall terminate and the Company shall be entitled to the return, at the Company's expense, of such Collateral in the possession or control of the Agent as has not theretofore been disposed of pursuant to the provisions hereof. If the Agent shall resign as Agent under this Agreement, then a majority of the Secured Parties shall appoint a successor agent whereupon such successor agent shall succeed to the rights, powers and duties of the Agent hereunder and the former Agent's rights, powers and duties as Agent shall terminate. The resigning Agent shall take such actions, at the Company's expense, as the Majority Banks shall deem reasonably necessary or advisable to transfer all such rights, powers and duties to the new Agent.

§21. NOTICES. Except as otherwise expressly provided herein, all notices and other communications made or required to be given pursuant to this Agreement shall be in writing and mailed by United States registered or certified first-class mail, postage pre-paid, or sent by telegraph or telex and confirmed by letter, addressed as follows:

(a) if to the Company, at:

111 East Capitol Street
Jackson, Mississippi 39201
Attention: President

with a copy to:

The Prospect Group, Inc.
645 Madison Avenue
New York, New York 10022
Attention: W. Wallace McDowell, Chairman

or at such other addresses for notice as the Company shall last have furnished in writing to the Agent;

(b) if to the Agent at

100 Federal Street
Boston, Massachusetts 02110
Attention: Robert L. Wallace, Vice President

or at such other address for notice as the Agent shall last have furnished in writing to the person giving the notice.

Any such notice or demand shall be deemed to have been duly given or made and to have become effective (a) if delivered by hand to a responsible officer of the party to which it is directed, at time of the receipt thereof by such officer, (b) if sent by registered or certified first-class mail, postage pre-paid, five business days after the posting thereof and (c) if sent by telex or cable, at the time of dispatch thereof, if in normal business hours in the state where received or otherwise at the opening of business on the following business day.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed as an instrument under seal by their authorized representatives as of the date first written above.

[Corporate Seal]

MIDSOUTH RAIL CORPORATION

By: Bruce A. Lieberman

Title: VP

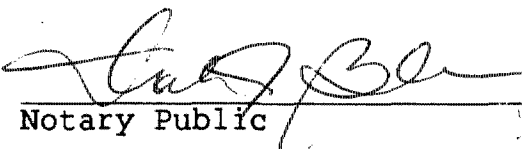
THE FIRST NATIONAL BANK OF BOSTON,
as Agent

By: Robert L. Wallace

Title: VICE PRESIDENT

COMMONWEALTH OF MASSACHUSETTS)
) ss.
COUNTY OF SUFFOLK)

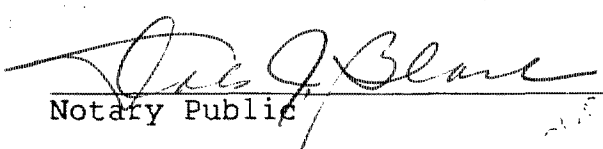
On this 26th day of MARCH, 1986, before me personally appeared BRUCE A. LIEBERMAN, to me personally known, who, being by me duly sworn, says that he is VICE PRESIDENT of MidSouth Rail Corporation, that the seal affixed to the foregoing instrument beside his signature is the corporate seal of said corporation and that the said instrument was signed on behalf of said corporation by authority of its Board of Directors, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said corporation.


Notary Public

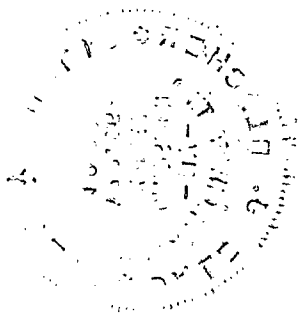
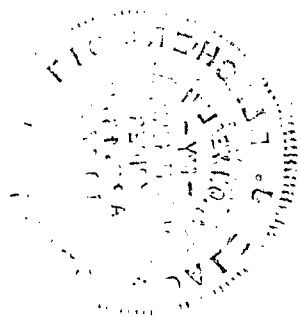
My commission expires: April 16, 1987

COMMONWEALTH OF MASSACHUSETTS)
) ss.
COUNTY OF SUFFOLK)

On this 26th day of MARCH, 1986, before me personally appeared ROBERT L. WALLACE, JR., to me personally known, who, being by me duly sworn, says that he is VICE PRESIDENT of The First National Bank of Boston, and that he is duly authorized to sign the foregoing instrument on behalf of said banking association, and he acknowledges that the execution of the foregoing instrument was the free act and deed of said banking association.


Notary Public

My commission expires: April 16, 1987



Maintenance of Way Equipment

<u>Description</u>	<u>Identification No.</u>	<u>Serial No.</u>
(1) Air Dump Car	ICG 101110	
(1) Air Dump Car	ICG 101113	
(1) Air Dump Car	ICX 7846	
(1) Air Dump Car	ICX 7843	
(1) Spike Puller	SP 125	238586
(1) Spike Puller	SP 124	238545
(1) Tie Crane	TH-9	68459282
(1) Tamper Jr.	MT-200	6535
(1) Rail Lifter	PRL-30	242514
(1) Production Spike	PSD	
Driver w/gager parts		
(1) Anchor Application	AA-7	AF 310
(1) Anchor Application	AA-4	224
(1) Tie Inserter	FTM-18	19722
(1) Production Tamper	MT 125	1139
with Electronics		
(1) Switch Tamper	MT 307	1087911
(1) Switch Tamper	MT 300	1060137
(1) Jackson Tamper	MT 24	86174
(1) Push Car Derrick	D-59	218853
(1) Push Car Derrick	D-57	217444
(1) Electric Welder	EW 116	04-88850
(1) Electric Welder	EW-	A815053
(1) Wire Feed	RW 21	261X
(1) Wire Feed	RW	550

<u>Description</u>	<u>Identification No.</u>	<u>Serial No.</u>
(1) Rail Grinder	UG-	
(1) Rail Grinder	GG	K155632
(1) Boutet Weld. Set		
(1) Boutet Weld. Set		
(1) Electric Welder	EW 89	507847
(1) Oxy/AC Equip.		
(1) Oxy/AC Equip.		
(1) Air Compressor	CR-243	265X1614
(1) Threader W. R.		
(1) Ballast Regulator	BRC-18	4FW550
(1) Tie Bed Scarifier	TBS-15	233771
(1) Bolt Tightener	PBT242	6021
(1) Steam Cleaner		
(1) Burro Crane	PR 23	138
(1) High Rail Truck		
Crane	HRC-11	DGA 7565
(1) Gopher Crossing		
Undercutter	TCU-101	4770127
(1) Tractor Backhoe	F269	C522469
(1) Tractor Backhoe	JD 235	219412
(1) Tie Adzer	TA86	4246
(1) Tie Cribber	TCS-38	6A151
(1) Strip Adzer	TA-88	DN80-01-0315

<u>Description</u>	<u>Identification No.</u>	<u>Serial No.</u>
(1) Air Compressor		
(1) Air Compressor		
(1) Air Compressor		
(1) Air Compressor		
(1) Drag Line Crane	DLO 65	1415611335
(1) Truck Crane	HTC-11	3H417
(1) Bolt Tightener		
(1) Burro Crane	PR-14	87
(1) Generator		
(1) Generator		
(1) Pile Driver	ICG 100450	2138
Diesel-Mechanical		
(1) Pile Hammer 40' Leads		
(1) Idler Flat	ICG 101108	
(1) Tool Car	ICG 101174	

<u>Description</u>	<u>Identification No.</u>	<u>Serial No.</u>
(1) Motor Car	F 8618	211576
(1) Motor Car	F 8180	194462
(1) Motor Car	F 8992	215761
(1) Motor Car	F 9156	
(1) Motor Car	F 9020	207638
(1) Motor Car	F 7434	163730
(1) Motor Car	F 8892	327562
(1) Motor Car	F 8947	237900
(1) Motor Car	F 7944	182164
(1) Motor Car	F 7969	183137
(1) Motor Car	F 8627	212214
(1) Motor Car	F 8111	190234
(1) Motor Car	F 8579	207063
(1) Motor Car	F 8485	202511
(1) Motor Car	F 8979	232934
(1) Motor Car	F 7480	166823
(1) Motor Car	F 8758	222942
(1) Rail Drill	PTD-264	1962
(1) Rail Drill		
(1) Rail Drill		
(1) Rail Drill		
(1) Rail Drill	PTD-607	6327
(1) Rail Drill	PTD-333	3076
(1) Rail Drill	PTD-346	3377
(1) Rail Drill	PTD-381	4101
(1) Rail Drill		

<u>Description</u>	<u>Identification No.</u>	<u>Serial No.</u>
(1) Rail Drill		
(1) Rail Drill	PTD-221	1208
(1) Rail Drill	PTD-141	
(1) Rail Drill	PTD-145	187
(1) Rail Drill		
(1) Rail Drill	PTD-462	2484
(1) Rail Saws	PRS-435	3394
(1) Rail Saws	PRS-490	5172
(1) Rail Saws		
(1) Rail Saws	PRS-384	2788
(1) Rail Saws	PRS-387	2839
(1) Rail Saws		
(1) Rail Saws		
(1) Rail Saws		
(1) Rail Saws	PRS-511	5411
(1) Rail Saws	S/N2846	
(1) Rail Saws		
(1) Rail Saws		
(1) Rail Saws	PRS-491	5173
(1) Rail Saws		

Schedule III

(page 1 of 7 pages)

LOCOMOTIVES

IC	9006	IC	8127
IC	9145	IC	8128
IC	9174	ICG	8137
IC	9178	IC	8139
IC	9340	IC	8140
IC	9344	ICG	8141
IC	9360	IC	8142
IC	9368	IC	8143
IC	8003	IC	8152
ICG	8007	ICG	8155
IC	8018	IC	8177
ICG	8026	IC	8184
ICG	8029	IC	8192
IC	8062	IC	8259
IC	8071	IC	8268
ICG	8074	IC	8273
IC	8076	IC	8276
IC	8078	ICG	8281
IC	8081	ICG	8282
ICG	8085	IC	8306
ICG	8087	IC	8318
IC	8094	IC	8322
ICG	8099	IC	8328
IC	8102	IC	8348
IC	8107	IC	9404
ICG	8108	IC	9419
IC	8112	IC	9421
ICG	8120	IC	9422
ICG	8122		
ICG	8125		

58 Locomotives

CABOOSES

IC 9366
IC 9371
IC 9384
IC 9385
IC 9423
ICG 199372
ICG 199401
ICG 199416
ICG 199439
ICG 199530
ICG 199533
ICG 199666
ICG 199674
ICG 199667
ICG 199539

15 UNITS

BULKHEAD FLAT CARS

ICG 978761
ICG 978762
GMO 74770
GMO 74773
GMO 74800
GMO 74801
GMO 74805
GMO 74807
GMO 74808
GMO 74809
GMO 74813
GMO 74814
GMO 74815
GMO 74816
GMO 74817
GMO 74818
GMO 74819
GMO 74820

18 CARS

Schedule III

(page 3 of 7 pages)

REFRIGERATED BOXCARS

GMO	1223
GMO	1235
IC	49606
IC	49607
IC	49616
IC	49646
IC	49726
IC	49846
IC	49866
IC	49917
IC	49956
IC	49775
IC	49707
IC	49737
IC	49965
GMO	1216
GMO	1240
GMO	1290
IC	49645
IC	49834

20 CARS

83-TON OPEN TOP HOPPER CARS

ICG	340400
ICG	340401
ICG	340402
ICG	340403
ICG	340404
ICG	340405
ICG	340406
ICG	340407
ICG	340408
ICG	340409
ICG	340410
ICG	340411
ICG	340412
ICG	340413
ICG	340414
ICG	340415
ICG	340416
ICG	340417
ICG	340418
ICG	340419

20 CARS

3510 CUBIC FOOT COVERED HOPPER CARS

GMO 080715
GMO 080731
GMO 080736
GMO 080738
GMO 080740
GMO 080743
GMO 080908
IC 054310
IC 054312
IC 054368
IC 054377
IC 054384
IC 054406
IC 054426
IC 054471
IC 054487
IC 054735
IC 054754
IC 054759
IC 054760
IC 054761
IC 054763
IC 054838
IC 054842
IC 054884
IC 055348
IC 055351
IC 055483
IC 055492
IC 055493
ICG 715030
GMO 080700
GMO 080726
GMO 080742
ICG 715252
ICG 715292
ICG 715349
ICG 715356

38 CARS

Schedule III

(page 5 of 7 pages)

WOODRACK CARS

GMO 3766
GMO 3913
GMO 4544
GMO 4841
GMO 4899
GMO 4224
GMO 4572
IC 63555
IC 63557
IC 63729
IC 63947
IC 63402
IC 63439
IC 63518
IC 63602
IC 63631
IC 63676
IC 63682
IC 63761
IC 63948
GMO 4890
IC 63559
IC 63391
IC 63534
IC 63620

25 CARS

Schedule III

(page 6 of 7 pages)

4750 CUBIC FOOT COVERED HOPPER CARS

GMO 081004
GMO 081036
GMO 081116
GMO 081128
GMO 081132
IC 056340
IC 056394
IC 056400
IC 745307
IC 745335
IC 745360
IC 745369
IC 745395
ICG 765475
ICG 765527
ICG 765607
ICG 765936
ICG 766029
ICG 766132
ICG 766133
ICG 766272
IC 056370
IC 056376
IC 056825
IC 056836
IC 056880
IC 765335
ICG 765393
ICG 765586
ICG 766367

30 CARS

(page 7 of 7 pages)

WOODCHIP HOPPER CARS

GMO 082554	GMO 082568	GMO 082597	GMO 082612	GMO 082619	GMO 082620
GMO 082637	GMO 082693	GMO 082694	GMO 082709	GMO 082733	GMO 082741
GMO 082746	GMO 082765	GMO 082768	GMO 082786	GMO 082797	GMO 866307
GMO 866319	GMO 866326	GMO 866328	GMO 866332	GMO 866336	GMO 866354
GMO 866359	GMO 866361	GMO 866368	GMO 866371	GMO 866372	GMO 866373
GMO 866382	GMO 866386	GMO 866398	ICG 860010	ICG 860026	ICG 865108
ICG 865143	ICG 865153	ICG 865154	ICG 865158	ICG 865159	ICG 865170
ICG 865179	ICG 865184	ICG 865199	ICG 865225	ICG 865232	ICG 865239
ICG 865246	ICG 865250	ICG 865252	ICG 865254	ICG 865262	ICG 865264
ICG 865271	ICG 865298	ICG 866050	ICG 866076	ICG 866109	ICG 866181
ICG 866182	ICG 866207	ICG 866240	ICG 866242	ICG 866278	ICG 866302
ICG 866309	ICG 866314	ICG 866347	ICG 866403	ICG 866407	ICG 866408
ICG 870006	ICG 870018	ICG 870021	ICG 870022	ICG 870030	ICG 870033
ICG 870040	ICG 870044	ICG 870051	ICG 870053	ICG 870055	ICG 870066
ICG 870111	ICG 870115	ICG 870125	ICG 870126	ICG 870132	ICG 870142
ICG 870144	ICG 865289	ICG 870151	ICG 870155	ICG 870160	ICG 870178
ICG 870184	ICG 870187	ICG 870197	ICG 870198		

100 CARS